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SUBJECT: EAP DAS KEITH'S APRIL 27-29 VISIT TO MONGOLIA

Classified By: Poloff Patrick J. Freeman for reasons 1.4 (b) & (d)

11. (C) SUMMARY: During EAP DAS Keith's meetings with Government of Mongolia (GOM) officials on April 28, Keith expressed appreciation for the GOM's continuing support in the war against terrorism and its participation in coalitions in Iraq and Afghanistan. Keith reiterated the importance of addressing key issues such as corruption and the need to enact and enforce anti-money-laundering and anti-corruption laws, especially as related to maintaining Millennium Challenge Account eligibility. He put down markers with the GOM regarding North Korean laborers, DPRK financial risks, and cautioned against Mongolia's flagging of DPRK vessels. He urged the GOM to sign on to the Proliferation Security Initiative and sought the GOM's support for Guatemala over Venezuela for a UNSC seat. Prime Minister Enkhbold told Keith the GOM remains committed on the war against terrorism, that it will pursue anti-corruption measures and legislation, that it hopes to sign its MCC compact soon and that it also seeks a Free Trade Agreement with the U.S. END SUMMARY.

12. (SBU) EAP DAS Jim Keith visited Mongolia April 27-29. In addition to meeting with Government of Mongolia (GOM) and other officials, Keith met April 28 with the country team, the Embassy's staff for a town hall meeting, and with Peace Corps Mongolia management and volunteers. Keith also met with party representatives and State Great Hural (Mongolia's Parliament) for an exchange of views.

13. (C) DAS Keith met with Defense Ministry State Secretary Major General Borbaatar to express the USG's appreciation for Mongolia's participation in coalitions in Iraq and Afghanistan as well as in peacekeeping operations in Sierra Leone and Kosovo. He stressed the two nations share a common cause in the war against terrorism and he urged Mongolia to stay the course, a view Borbaatar shared. Borbaatar expressed thanks for U.S. support for Mongolia's military, and Keith affirmed U.S. intent to continue to aid military transformation. Keith noted that the U.S. hoped for Mongolia's perspectives as an observer in the Shanghai Cooperation Organization. Borbaatar noted that Mongolia's main objective in the SCO is trade and industry, but noted that Mongolian briefers had discussed their SCO observations with the U.S. military last November. Keith also asked about Mongolian military ties with the DPRK. Borbaatar responded

that there is no military cooperation with the DPRK. He added that the DPRK had invited Mongolia's Chief of Staff to visit, but that "political considerations" had precluded the visit. He assured Keith that Mongolia would share any insights it developed into the DPRK military.

14. (C) During DAS Keith's call on Prime Minister Enkhbold, the PM said he was pleased with the expansion of bilateral relations over the years. The November 2005 POTUS visit had opened a new page, he said, and the Joint Statement had showed both sides were committed to further development of relations. President Bush had declared in his speech that U.S. is Mongolia's third neighbor. He noted that the U.S. Millennium Challenge Corporation was now conducting due diligence reviews of Mongolia's proposals and that he had recently met with MCC Country Director Hallmark. The PM hoped both sides would exert efforts to expedite the process to achieve a compact. The PM also reiterated Mongolia's interest in concluding a Free Trade Agreement (FTA) with the U.S., adding that Mongolia attaches great importance to establishing this agreement. He believes the 2004 Trade Investment Framework Agreement serves as a useful channel toward this goal. The PM noted that Mongolia remains committed to working with U.S. in war on terrorism, and that Mongolia had forces in coalitions in Iraq and Afghanistan. Mongolia is still committed to cooperating with the U.S. in this regard.

15. (C) Turning to domestic matters, the PM said the Government of National Unity had just started work, and it had taken some actions to address social challenges as well as promote economic growth and reduce unemployment. Enkhbold said he wanted to create a favorable environment in the civil service to fight bureaucracy and corruption. First of all, anticorruption legislation needed to be adopted. Establishing a legal environment to fight corruption was an important step, but the GOM would not wait for new legislation; it was already taking some steps to improve civil service and free society from corruption. Capacity building is another important goal, the PM said, using that theme to reiterate the GOM's request for additional U.S. scholarships.

16. (C) DAS Keith noted that a lot of momentum in bilateral relations had developed due to engagement by the two nations, Presidents; both sides want to sustain this over all the spectrum of subjects in the bilateral relationship. Keith said that the USG sees the MCC process as an important bilateral relations element, and private sector-led growth is vital to Mongolia's future. He expressed appreciation for the PM's emphasis on good government and passage of anti-corruption and anti-money laundering legislation, pointing to resolution of concerns about corruption as a key factor. The USG wants Mongolia's MCC projects to succeed, which dispel doubts about Mongolia. Keith said the USG realizes Mongolia is a democracy and that it faces complicated pressures which can affect the environment for international trade and investment. As Mongolia deals with these pressures, the USG hopes Mongolia would look to the strengths of the U.S. and take steps which will make it easier for the U.S. to engage in the Mongolian economy, through market mechanisms. As a third neighbor, the U.S. wants to help strengthen Mongolia's market orientation. For its part, Keith said, the U.S. hopes to use the TIFA process to advance specific issues and promote closer cooperation between the two economies. The U.S. wants to advance people-to-people relations and exchanges in academic and cultural areas and the USG. The USG had begun discussion of a cultural preservation agreement.

17. (C) In response, the PM said foreign direct investment (FDI) is one of the key elements needed to ensure economic growth. Thus, ensuring a stable business environment was also a key factor. The GOM is committed, the PM said, to attracting FDI and making sure it comes to Mongolia to stay. Of course, there are many views and misunderstandings about foreign investment, he opined, and the abiding principle

should be that of mutually beneficial cooperation and benefit. The PM noted that his government had withdrawn the draft mining legislation put forward by the previous government, and would put forward its own draft. (COMMENT: This latter was news. MPRP caucus leader Idevkhten said at dinner that evening that the aim of the GOM's new draft would be to combine everyone's views -- the other two bills which had been submitted, plus the protesters, views -- into one bill, although he could not elaborate quite how this would be done.)

¶18. (C) Over lunch with MFA Vice Minister Tsolmon, DAS Keith noted EAP Assistant Secretary Hill wants to visit Mongolia, but timing was uncertain. VFM mused that A/S Hill's visit might be a good time to sign the joint statement of principles. DAS Keith thought perhaps the Ambassador should sign, especially since A/S Hill visit timing remained uncertain.

¶19. (C) VFM Tsolmon noted the then-Charge, had been in to talk about Open Skies and the Proliferation Security Initiative (PSI) shipboarding agreement. The VFM said MFA was collecting opinions internally. Then-Charge noted MOJ had shifted positions and now seemed on board with PSI. DAS Keith underscored that the USG was looking very closely at flags of convenience for North Korean ships; Mongolia should ensure that it is doing due diligence with regard to such registrations.

¶10. (C) On other topics, the VFM noted Mongolia was trying its utmost to help MCC conduct its necessary due diligence. DAS Keith underscored the importance of making real progress in MCC discussions by the deadlines set if the process is to be kept on schedule. He urged greater GOM transparency and anti-corruption efforts were important both for MCC and to create a good international investment environment.

¶11. (C) Following a general review of U.S. relations with Russia, China, South and Central Asia -- the environment around Mongolia -- DAS Keith said the USG is grateful for Mongolia's humanitarian assistance to NK refugees, but the USG is also concerned about the NK laborer situation. Mongolia should pay close attention to the international community's concerns that North Korean laborers do not enjoy protection according to international standards, and, in particular, their pay is filtered through the government. Mongolia should look carefully at the use of North Korean laborers in its private sector. Then-Charge noted that earlier that week the U.S. Secret Service had conducted anti-counterfeiting and anti-money-laundering training. DAS Keith stressed that passage of anti-money-laundering (AML) legislation was important both in its own right, to protect Mongolia's financial system, and to MCC compact prospects. Keith noted the problems of Banco Delta Asia, emphasizing neither Mongolia nor the USG would want a repeat of that experience in Mongolia. AML would facilitate Mongolia increased integration into the international network of international organizations, banks, financial monitoring institutions. Recently appointed MFA State Secretary Bekhbat commented that Mongolia is a small country and it faces capacity problems and coordination problems in dealing with nontraditional threats. Regarding North Korea, the GOM intends to be cautious, he said, and the DPRK Embassy was still angry about the recent temporary seizure of DPRK funds entering Mongolia. VFM wondered about the status and evolution of the six party talks in the Northeast Asia security process, including Mongolia's eventual participation. DAS Keith gently threw cold water on this idea as impractical. DAS Keith pressed the VFM to vote for Guatemala over Venezuela for a UNSC seat. DG Jambaldorj opined that Mongolia very close to making a decision, adding that MFA had hoped for U.S. cosponsorship of Mongolia's ICNRD resolution at the UN.

¶12. (U) DAS Keith cleared this message.
SLUTZ